

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
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P R 121714Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 7052
INFO ALL EC CAPITALS
AMCONSUL BELFAST
AMCONSUL EDINBURGH

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USEEC ALSO FOR EMBASSY

USOECD

E.O. 11652: N/A
TAGS: PINT, PGOV, UK
SUBJECT: GOVERNMENT FACES CENSURE ON BUDGET

REF: LONDON 9190

SUMMARY: THE GOVERNMENT WILL FACE A CENSURE VOTE
JUNE 14 ON A CONSERVATIVE MOTION ATTACKING THE
GOVERNMENT'S RECENT MEASURES TO REASSURE FINANCIAL
MARKETS AND STABILIZE THE POUND (REFTEL). ALTHOUGH MOST
OBSERVERS EXPECT THE GOVERNMENT WILL BE ABLE TO WITH-
STAND THE TORY CENSURE EFFORT, THE OUTCOME WILL HINGE ON
VOTES OF THE LIBERAL AND NATIONALIST PARTIES. SHOULD
THE GOVERNMENT LOSE, CHANCELLOR HEALEY WOULD PROBABLY BE
FORCED TO RESIGN AND THE GOVERNMENT WOULD BE FORCED TO
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PUT DOWN A CONFIDENCE MOTION WHICH, WITH LIBERAL SUPPORT
ASSURED, WOULD BE APPROVED. A LOSS ON THE CENSURE
MOTION, ACCORDINGLY, WOULD BE A SERIOUS BLOW TO
CALLAGHAN (AND TO HEALEY), BUT WOULD NOT PRECIPITATE A
GENERAL ELECTION. END SUMMARY.

1. THE CONSERVATIVE OPPOSITION REQUESTED, AND WAS

GRANTED, AN "EMERGENCY" DEBATE ON THE GOVERNMENT'S ECONOMIC POLICY FOLLOWING THE CHANCELLOR'S ACTIONS OF LAST WEEK TO INCREASE THE MINIMUM LENDING RATE AND THE SURCHARGE ON THE EMPLOYERS' NATIONAL INSURANCE CONTRIBUTION (REFTEL). THIS DEBATE WILL TAKE PLACE JUNE 14. TORY SPOKESMEN LATER ANNOUNCED THEIR INTENTION TO PUT DOWN A MOTION CENSURING HEALEY FOR THESE ACTIONS. WHILE THE TEXT OF THE MOTION IS NOT YET AVAILABLE, IT IS EXPECTED TO CALL FOR A REDUCTION IN THE CHANCELLOR'S SALARY. IF APPROVED BY COMMONS, SUCH A MOTION WOULD BE A SERIOUS EMBARRASSMENT FOR THE GOVERNMENT AND PROBABLY FORCE HEALEY TO RESIGN. BUT WHILE SUCH A DEVELOPMENT WOULD BE WIDELY INTERPRETED AS A SIGN OF SERIOUS GOVERNMENT DEBILITY, IT SEEMS UNLIKELY THAT IT WOULD FORCE A GENERAL ELECTION. IF HE SHOULD LOSE THE VOTE ON THE CENSURE MOTION, CALLAGHAN COULD AND PROBABLY WOULD MOVE HIS OWN MOTION OF CONFIDENCE IN THE GOVERNMENT WHICH WOULD BE VIRTUALLY CERTAIN TO CARRY, SINCE THE LIBERALS REMAIN PLEDGED TO SUPPORT THE GOVERNMENT IN SUCH CIRCUMSTANCES.

2. TO CARRY THE WEDNESDAY EVENING VOTE, THE TORIES WILL NEED THE SUPPORT OR ACQUIESCENCE OF ALL THE MINOR PARTIES, INCLUDING THE LIBERALS. ALTHOUGH THE CONSERVATIVE MOTION SEEMS PRIMARILY DESIGNED TO EMBARRASS THE GOVERNMENT, MRS. THATCHER AND HER COLLEAGUES WERE NO LIMITED OFFICIAL USE

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DOUBT EQUALLY AWARE THAT THEY WILL BE PLACING THE LIBERALS IN AN AWKWARD POSITION AT A TIME WHEN THEY ARE TRYING TO DISTANCE THEMSELVES FROM THE GOVERNMENT. IF THE LIBERALS SUPPORT THE TORY MOTION IN ORDER TO DEMONSTRATE THEIR INDEPENDENCE, THEY WILL IMPLICITLY BE VOTING AGAINST THE TAX INCREASE ON EMPLOYERS, A COURSE OF ACTION THEY EARLIER URGED ON THE GOVERNMENT. AND SHOULD THE MOTION CARRY ON THEIR VOTES, THEY WOULD THEN HAVE TO REVERSE THEMSELVES TO HONOR THEIR COMMITMENT TO SUPPORT THE GOVERNMENT ON CONFIDENCE ISSUES. SUCH GYRATIONS WOULD ONLY REDUCE THEIR CURRENTLY LOW PUBLIC STANDING. IN THEORY AT LEAST, THE LIBERALS ALSO HAVE THE OPTION OF ABSTAINING ON THE CENSURE MOTION, AS THE GOVERNMENT HAS JUST ENOUGH VOTES TO STAVE OFF THE COMBINED WEIGHT OF THE CONSERVATIVE AND OTHER MINOR PARTIES. IN PRACTICE, HOWEVER, A MISCALCULATION OR INADVERTENT ABSENCE COULD ERASE THIS THEORETICAL EDGE. ALTHOUGH LIBERAL LEADER STEEL HAS HINTED THAT HIS PARTY MIGHT ABSTAIN, IT SEEMS UNLIKELY HE WILL RUN THE RISK INHERENT IN THAT COURSE OF ACTION. THE NATIONALIST VOTE TOO IS IN DOUBT. LIKE THE LIBERALS, THEY HAVE NO DESIRE FOR AN EARLY GENERAL ELECTION.

3. AT THIS POINT THE GOVERNMENT AND LABOR BACKBENCHERS ARE CALM, APPARENTLY CONVINCED THAT CALLAGHAN AND HEALEY WILL BE ABLE TO WEATHER THE CENSURE STORM WITH LITTLE DISCOMFORT. OUR CONTACTS IN THE GOVERNMENT WHIPS OFFICE, HOWEVER, STRESS THAT THIS SANGUINE ASSESSMENT

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IS BASED ON ANALYSIS OF THE SITUATION RATHER THAN SOUNDINGS OF THE POSITIONS OF THE MINOR PARTIES. SERIOUS BARGAINING, THEY SAY, WILL NOT BEGIN UNTIL JUNE 13. THEY ARE CONFIDENT, HOWEVER, THAT THE LIBERALS WILL NOT VOTE AGAINST THE GOVERNMENT ON THE CENSURE MOTION, THOUGH THEY MAY ABSTAIN IF IT IS CLEAR THE GOVERNMENT IS IN NO DANGER. NOR, AT THIS POINT, DO THEY BELIEVE THE SCOTTISH NATIONALISTS WILL BACK THE TORY MOTION IN ANYTHING NEAR THEIR FULL STRENGTH -- THE MOST PROBABLE SCENARIO HAS MOST OF THEM AWAY FROM WESTMINSTER ON WEDNESDAY, WITH THOSE WHO ARE PRESENT SUPPORTING THE CONSERVATIVES OR ABSTAINING, AS MAY BE THEIR PREFERENCE. THERE IS, MOREOVER, A POSSIBILITY THAT ALL THREE PLAID CYMRU MPS WILL DECIDE TO SUPPORT THE GOVERNMENT. ACCORD-

ING TO OUR SOURCES, THE ULSTER UNIONIST VOTES WILL GO TO
THE TORIES, BUT THEY MAY NOT ALL BE IN LONDON FOR THE
VOTE.

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4. COMMENT: ALTHOUGH THE SITUATION IS FLUID, IT SEEMS
UNLIKELY TO US THAT THE CONSERVATIVE CENSURE MOTION WILL
BE APPROVED. BUT SHOULD THAT ASSESSMENT PROVE INCORRECT,
CALLAGHAN WOULD MOVE TO LIMIT DAMAGE BY INTRODUCING A
CONFIDENCE MOTION WHICH WOULD ALMOST CERTAINLY BE
ENDORSED BY A COMFORTABLE MARGIN. NEVERTHELESS, A LOSS
ON THE CENSURE MOTION FOLLOWED BY HEALEY'S RESIGNATION
WOULD PROBABLY GENERATE AN ADVERSE REACTION IN FOREIGN
EXCHANGE MARKETS. THUS THE GOVERNMENT SEEMS TO BE IN NO
REAL DANGER, EVEN IF HEALEY CAN FEEL MRS. THATCHER'S
WARM BREATH ON THE BACK OF HIS NECK. BUT EVEN IF SHE
LOSES THE MAIN CHANCE, MRS. THATCHER WILL NO DOUBT BE
ABLE TO TAKE SOME SATISFACTION FROM HAVING COMPLICATED
THE LIBERALS' EFFORT TO DISTANCE THEMSELVES FROM THE
GOVERNMENT IN ANTICIPATION OF A FALL GENERAL ELECTION.

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